

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

COMPLIANCE ENGAGEMENT REPORT

OF

CLAY TOWNSHIP

CASS COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
11/12/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Jennifer Nies	01-01-20 to12-31-24
Chair of the Township Board	Nathan McClain	01-01-20 to12-31-24



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF CLAY TOWNSHIP, CASS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Clay Township (Township), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Township as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Township's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Jennifer Nies, Trustee; Thomas Weatherwax, Township Board member; and John Carson, Township Board member, on October 17, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

October 3, 2024

CLAY TOWNSHIP, CASS COUNTY
COMMENTS

INTERNAL CONTROLS

Condition and Context

The Township did not have segregation of duties. The Township did not have an effective system of internal controls in place to ensure compliance with the following items detailed in the comments below:

- Monthly and Annual Uploads
- Prescribed Forms
- Annual Financial Report

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-1 as amended. The Township is required to upload files into the Indiana Gateway for Government Units (Gateway) financial reporting system.

Annual upload requirements include the detail of receipt activity, detail of disbursement activity, current year salary ordinance and amendments, annual vendor history report, annual funds ledger, and annual payroll history report.

Monthly upload requirements include bank reconcilements, bank statements (effective for the required upload beginning with the December 2020 information), outstanding check listings (effective for the required upload beginning with the December 2020 information), approved Township Board minutes, and funds ledgers (effective for the required upload beginning with the December 2020 information).

The Township did not upload into Gateway any of the required monthly bank reconcilements for 2020, 2021, 2022, or 2023. Additionally, the Township did not upload the required annual funds ledger for 2023.

CLAY TOWNSHIP, CASS COUNTY
COMMENTS
(Continued)

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

PRESCRIBED FORMS

Condition and Context

Internal controls were not in place to ensure use of prescribed forms. The Township disbursed a total of \$20,000 in assistance from 2020 to 2023.

The Township did not properly maintain the prescribed form Notice of Township Assistance Action (TA-1A) or the prescribed form Township Assistance Purchase Order (TA-2) for the administration of Township Assistance as required. The Township could not provide a form TA-1A for 6 out of the 20 applications tested and did not use a form TA-2 which is required for each and every Township Assistance order for aid.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ANNUAL FINANCIAL REPORT

Condition and Context

Internal controls were not in place to ensure accurate reporting of financial information. Financial information is required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system.

The Township is required to report amounts, if any, that are owed to the Township and not yet received as an accounts receivable and amounts for goods and services that were received and used and not yet paid for as an accounts payable at year end.

However, the Township reported the total annual receipts and disbursements for each year as the balance for year-end accounts receivable and accounts payable. This resulted in an overstatement to accounts receivable and accounts payable for each year in the engagement period.

CLAY TOWNSHIP, CASS COUNTY
COMMENTS
(Continued)

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

CLAY TOWNSHIP, CASS COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
TOWNSHIP FUND	\$ 6,866	\$ 14,617	\$ 11,996	\$ 9,487	\$ 31,275	\$ 15,057	\$ 25,705
TOWNSHIP ASSISTANCE	104,846	12,404	6,014	111,236	1,097	3,000	109,333
RAINY DAY FUND	69,434	273	-	69,707	52	-	69,759
PAYROLL DEDUCTIONS	1,755	586	-	2,341	1,206	-	3,547
Totals	<u>\$ 182,901</u>	<u>\$ 27,880</u>	<u>\$ 18,010</u>	<u>\$ 192,771</u>	<u>\$ 33,630</u>	<u>\$ 18,057</u>	<u>\$ 208,344</u>

CLAY TOWNSHIP, CASS COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
TOWNSHIP FUND	\$ 25,707	\$ 29,110	\$ 15,324	\$ 39,493	\$ 30,896	\$ 18,953	\$ 51,436
TOWNSHIP ASSISTANCE	109,332	11	4,549	104,794	3,472	6,437	101,829
RAINY DAY FUND	69,759	34	-	69,793	45	-	69,838
PAYROLL DEDUCTIONS	<u>3,546</u>	<u>1,215</u>	<u>3,576</u>	<u>1,185</u>	<u>1,572</u>	<u>50</u>	<u>2,707</u>
Totals	<u><u>\$ 208,344</u></u>	<u><u>\$ 30,370</u></u>	<u><u>\$ 23,449</u></u>	<u><u>\$ 215,265</u></u>	<u><u>\$ 35,985</u></u>	<u><u>\$ 25,440</u></u>	<u><u>\$ 225,810</u></u>